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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 07/01/05 AND ENDING 06/30/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

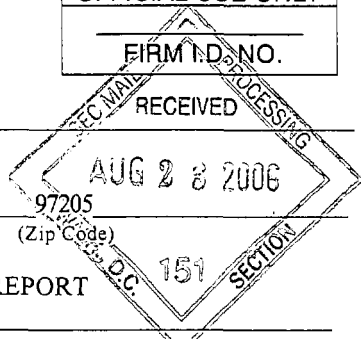
NAME OF BROKER-DEALER: HybridTrading, LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

935 SW Washington St.
(No. and Street)
Portland OR
(City) (State)
97205
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
(Area Code - Telephone Number)

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FIRM ID NO.



B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PricewaterhouseCoopers
(Name - if individual, state last, first, middle name)
1300 SW Fifth Avenue Portland OR 97201
(Address) (City) (State) (Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

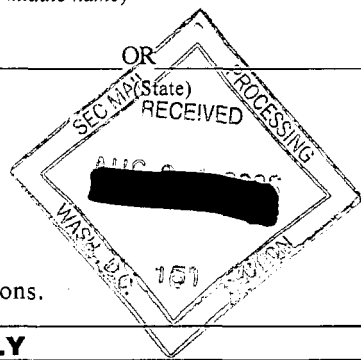
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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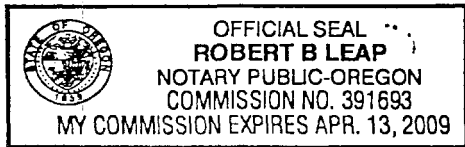
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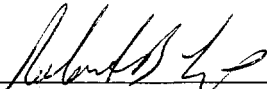


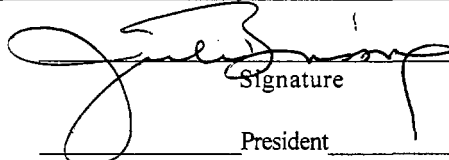
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OATH OR AFFIRMATION

I, Julie Bussing, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of HybridTrading, LLC, as of June 30, 2006, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:




Notary Public


Signature
President
Title

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

Report of Independent Auditors	1
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Financial Statements

Statement of Financial Condition June 30, 2006	2
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Notes to Statement of Financial Condition June 30, 2006	3-5
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Supplemental Schedules

Computation of Net Capital and Minimum Net Capital Required Pursuant to Rule 15c3-1 of the Securities and Exchange Commission June 30, 2006	6
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Computation for Determination of Reserve Requirement for Brokers and Dealers Pursuant to Rule 15c3-3 of the Securities and Exchange Commission	7
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Report of Independent Auditors on Internal Control Required by SEC Rule 17a-5	8-9
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PricewaterhouseCoopers LLP
1300 SW Fifth Avenue
Suite 3100
Portland OR 97201
Telephone (971) 544 4000
Facsimile (971) 544 4100

Report of Independent Auditors

To the Members of
HybridTrading, LLC

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of HybridTrading, LLC (the "Company") at June 30, 2006 in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the statement of financial condition taken as a whole. The information contained in Schedules I and II are presented by management for purposes of additional analysis and are not a required part of the statement of financial condition, but are supplementary information required by Rule 17a-5 under the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the statement of financial condition and, in our opinion, is fairly stated in all material respects in relation to the statement of financial condition taken as a whole.

PricewaterhouseCoopers LLP

Portland, Oregon
August 24, 2006

HybridTrading, LLC
Statement of Financial Condition
June 30, 2006

Assets

Cash and cash equivalents	\$ 200,536
Fixed assets, net	187,826
Software development, net	51,706
Deposits	104,982
Receivables	21,258
Prepaid expenses	15,956
Total assets	<u>\$ 582,264</u>

Liabilities and Members' Equity

Liabilities

Accounts payable	\$ 66,111
Accrued expenses	30,300
Total liabilities	<u>96,411</u>

Commitments and contingencies (Note 3)

Members' equity

Class A capital account	100,000
Class B capital account	385,853
Total members' equity	<u>485,853</u>
Total liabilities and members' equity	<u>\$ 582,264</u>

The accompanying notes are an integral part of these financial statements.

1. Organization

HybridTrading, LLC ("HybridTrading" or the "Company") was formed on April 12, 2004 as a limited liability company pursuant to the Delaware Limited Liability Company Act. The Company is a registered broker-dealer and a registered investment advisor with the Securities and Exchange Commission ("SEC") and the states in which it conducts business. The Company is a member of the National Association of Securities Dealers, Inc. and the Securities Investor Protection Corporation. HybridTrading's revenues are derived primarily from commissions, fees and interest income earned from securities transactions and related activities. The Company currently has an office in Portland, Oregon.

HybridTrading does not hold any funds or securities of its customers. Clearing services for all transactions are provided by BNP Paribas Securities Corp. ("BNP" or "Clearing Broker-Dealer"). BNP carries all customer accounts and maintains all required books and records as are customarily kept by a Clearing Broker-Dealer. All customers are required to transmit funds and securities directly to the Clearing Broker-Dealer. The Company is exempt from the provision of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the condition for exemption appearing in paragraph k(2)(ii) of the Rule.

2. Summary of Significant Accounting Policies

Estimates

The preparation of accrual basis financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers cash and cash equivalents as cash on hand, on deposit and all highly liquid investments purchased with a maturity of three months or less.

Deposits

The Company has an interest-bearing clearing deposit maintained at BNP, of which, \$25,000 may be nonrefundable under certain conditions.

Members' Capital

In accordance with the HybridTrading, LLC Operating Agreement, there are three classes of membership units and individual capital accounts are maintained for each member. Class A members have full voting rights and elect the manager, Class B members have modified voting rights and Class C members have no voting rights. Approval of any matter submitted to a vote of the Class A Members requires unanimous approval. Class B Members may approve on a majority vote any matter submitted to a vote of the Class B Members. Class A Members may also vote on any matter voted on by the Class B Members and such matters shall be approved only upon a unanimous vote of the Class A Members in addition to majority approval of the Class B Members. All classes of members are entitled to share in distributions and the Company's profit and losses shall be allocated to each member's capital account in accordance with their relative economic units. For the Company's first three fiscal years, any losses shall be allocated to the members based upon the member's relative Class B voting units.

Fixed Assets

Furniture and equipment is recorded at historical cost and depreciation is provided for using the straight-line method over the estimated useful lives of the related assets, generally three to seven years. Leasehold improvements are recorded at historical cost and amortized using a straight-line method over the lease term. Maintenance and repair costs are expensed as incurred. The Company capitalizes certain costs incurred in connection with developing or obtaining software for internal use. Qualifying software costs are capitalized and amortized over the estimated useful life of the software, which is currently two years. The Company has capitalized website development costs of \$124,095. The major classes of fixed assets and software development costs at June 30, 2006 are as follows:

Furniture	\$ 57,548
Equipment	202,877
Leasehold improvements	15,340
	<u>275,765</u>
Less accumulated depreciation and amortization	87,939
Net fixed assets	<u>\$ 187,826</u>
Software development costs	\$ 124,095
Less accumulated amortization	72,389
Net software costs	<u>\$ 51,706</u>

Income Taxes

HybridTrading files as a limited liability company for federal and state income tax purposes. Each investor is individually responsible for reporting income or losses to the extent required by federal and state income tax regulations, based on their respective share of the Company's income and expenses. Accordingly, the accompanying financial statements include no amounts related to federal and state income taxes.

3. Commitments and Contingencies

The Company leases office space under a noncancelable operating lease. This operating lease gives the Company the option to extend the term of the lease. Rent and occupancy expense for the period ending June 30, 2006 is \$81,276. Pursuant to the terms of the lease agreement as of June 30, 2006, the Company's future minimum rental commitments (including escalation costs) on the leases for the office space in Portland, Oregon are as follows:

2007	\$ 20,081
2008	20,081
2009	6,694
	<u>\$ 46,856</u>

4. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1 (the "Rule"), which requires the maintenance of minimum net capital. The Company uses the aggregate indebtedness standard, which requires that the Company maintain a minimum net capital of not less than \$50,000. At June 30, 2006, the Company had net capital of \$201,850, which was \$151,850 in excess of the required net capital.

5. Indemnification

In the normal course of its business, the Company indemnifies and guarantees certain service providers, such as the Clearing Broker-Dealer, against specified potential losses in connection with their providing services to the Company. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these agreements and has not recorded any contingent liability in the financial statements for these indemnifications.

HybridTrading, LLC**Computation of Net Capital and Minimum Net Capital Required
Pursuant to Rule 15c3-1 of the Securities and Exchange Commission
June 30, 2006****Schedule I****Net capital**

Total members' equity	\$ 485,853
Deductions and/or charges	
Receivable from noncustomers	801
Fixed assets and software development costs, net	239,532
Clearing deposit	25,000
Prepaid expenses	15,956
Other assets	2,714
Total deduction and/or charges	284,003
Net capital	\$ 201,850
Aggregate indebtedness	
Accounts payable	\$ 66,111
Accrued expenses	30,300
Total aggregate indebtedness	\$ 96,411
Computation of net capital requirement	
Minimum net capital (Note 4)	\$ 50,000
Excess net capital	\$ 151,850
Ratio of aggregate indebtedness to net capital	0.48 to 1

The Company is required to maintain a ratio of aggregate indebtedness to net capital not to exceed 15 to 1. As of June 30, 2006, the Company was in compliance with Rule 15c3-1.

There are no differences between the above computation of net capital under Rule 15c3-1 and the computation filed by the Company on Form X17A-5 as of June 30, 2006. Therefore, no reconciliation is required.

HybridTrading, LLC

**Computation for Determination of Reserve Requirements for Brokers and Dealers
Pursuant to Rule 15c3-3 of the Securities and Exchange
Commission**

Schedule II

The Company is exempt from the provision of Rule 15c3-3 under the Securities and Exchanges Act of 1934, in that the Company's activities are limited to those set forth in the condition for exemption appearing in paragraph k(2)(ii) of the Rule.

**Report of Independent Auditors on
Internal Control Required by SEC Rule 17a-5**

To the Members of
HybridTrading, LLC

In planning and performing our audit of the financial statements and supplemental schedules of HybridTrading, LLC (the "Company") for the year ended June 30, 2006, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures, that we considered relevant to the objectives stated in Rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11); and
2. Determining compliance with the exemptive provisions of Rule 15c3-3.

Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13;
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System; and
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the

preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including procedures for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at June 30, 2006 to meet the SEC's objectives.

This report is intended solely for the information and use of the Company's Shareholders, management, the SEC and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

August 24, 2006